

REPORT DOCUMENTATION PAGE				Form Approved OMB No. 0704-0188	
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1. REPORT DATE (DD-MM-YYYY) 01-11-2013		2. REPORT TYPE FINAL		3. DATES COVERED (From - To)	
4. TITLE AND SUBTITLE Vietnam Land Policy - Adjusting to Globalization				5a. CONTRACT NUMBER	
				5b. GRANT NUMBER	
				5c. PROGRAM ELEMENT NUMBER	
6. AUTHOR(S) Lt Col Darrell F. Judy Paper Advisor: Col (R) Michael McGauvran, LTC Matthew Stanton				5d. PROJECT NUMBER	
				5e. TASK NUMBER	
				5f. WORK UNIT NUMBER	
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) Joint Military Operations Department Naval War College 686 Cushing Road Newport, RI 02841-1207				8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)				10. SPONSOR/MONITOR'S ACRONYM(S)	
				11. SPONSOR/MONITOR'S REPORT NUMBER(S)	
12. DISTRIBUTION / AVAILABILITY STATEMENT Distribution Statement A: Approved for public release; Distribution is unlimited. Reference: DOD Directive 5230.24					
13. SUPPLEMENTARY NOTES A paper submitted to the Naval War College faculty in partial satisfaction of the requirements of the Joint Military Operations Department. The contents of this paper reflect my own personal views and are not necessarily endorsed by the NWC or the Department of the Navy.					
14. ABSTRACT The Vietnam economy experienced rapid economic growth over the last two decades since converting to a market-type economic model. ⁴ Analysis of this transition shows the Vietnam Communist Party (VCP) also benefited politically from the improved economy. Further research into the political benefit indicates the VCP has moved from traditional nationalist sources of legitimacy to more socioeconomic based legitimacy. ³¹ To maintain socioeconomic based legitimacy, continued economic performance in the globalized marketplace is necessary. One factor connected to recent economic growth and transition to the globalized marketplace is thoughtful land management. Successful land management is critical to the transition to an industrialized economy and continued economic growth. However, the inconsistent and inequitable application of land laws in the Socialist Republic of Vietnam has been a source of tension among the largely agrarian population. The author identifies this tension as a potential source of conflict threatening social and political stability and draws the conclusion this could threaten regime survival. The author recommends areas for resolving land management issues thereby reducing conflict, easing transition to a competitive industrial economy, and bolstering VCP's legitimacy.					
15. SUBJECT TERMS Vietnam, Political Discontent, Land, Land Use, Globalization					
16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT	18. NUMBER OF PAGES 26	19a. NAME OF RESPONSIBLE PERSON Chairman, JMO Dept
a. REPORT UNCLASSIFIED	b. ABSTRACT UNCLASSIFIED	c. THIS PAGE UNCLASSIFIED			19b. TELEPHONE NUMBER (include area code) 401-841-3556

**NAVAL WAR COLLEGE
Newport, R.I.**

Vietnam Land Policy – Adjusting to Globalization

by

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A paper submitted to the Faculty of the Naval War College in partial satisfaction of the requirements of the Department of Joint Military Operations.

The contents of this paper reflect my own personal views and are not necessarily endorsed by the Naval War College or the Department of the Navy.

Signature: _____

1 November 2013

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ABSTRACT

Vietnam Land Policy - Adjusting to Globalization.

The Vietnam economy experienced rapid economic growth over the last two decades since converting to a market-type economic model.⁴ Analysis of this transition shows the Vietnam Communist Party (VCP) also benefited politically from the improved economy. Further research into the political benefit indicates the VCP has moved from traditional nationalist sources of legitimacy to more socioeconomic based legitimacy.³¹ To maintain socioeconomic based legitimacy, continued economic performance in the globalized marketplace is necessary. One factor connected to recent economic growth and transition to the globalized marketplace is thoughtful land management.

Successful land management is critical to the transition to an industrialized economy and continued economic growth. However, the inconsistent and inequitable application of land laws in the Socialist Republic of Vietnam has been a source of tension among the largely agrarian population. The author identifies this tension as a potential source of conflict threatening social and political stability and draws the conclusion this could threaten regime survival. The author recommends areas for resolving land management issues thereby reducing conflict, easing the transition to a competitive industrial economy, and bolstering VCP's legitimacy.

Introduction

On 11 September 2013, a tragedy occurred at a provincial land management office in the northeast Vietnam province of Thai Binh. A local farmer, dissatisfied with the compensation from lands the government took for future development, used a firearm to injure three officials, killing one official and eventually turning the weapon on himself.¹ The farmer, Dang Ngoc Viet, is the most recent example of Vietnam agrarian land users reverting to physical confrontation when dissatisfied with compensation received from government officials for the loss of land use rights to development projects.²

Such is the plight of agrarian land users under present Socialist Republic of Vietnam land law and lease policies. The Vietnam Communist Party's (VCP) growing need to continue economic growth and maintain power requires transforming agricultural lands to industrial parcels necessary for meeting the growing economic needs which often leads to conflict with land tenants' wishing to remain on their land.³ The implementation of these land policies has resulted in increasing frustration and conflict between Vietnamese citizens and government officials.⁴

This paper will argue to maintain economic driven legitimacy and political stability, the VCP should reform land management/user rights policies by standardizing national policies reducing local government's ability to manipulate land lease agreements and appropriately compensate agrarian land users when terminating tenancy. To support this statement, this paper will review the VCP's evolution to a market economy impacting the legitimacy of VCP and transformation to industrialization, historical issues associated with land management, and finally the VCP's challenges with current land management policy implementation that is leading to conflicts and possible political instability.

Market Economy & Political Implications

Vietnam has seen substantial changes in economic growth over the past three decades since the death of Le Daun, the Vietnamese Communist Party Secretary, in 1986 and the implementation of doi moi economic reform policies.⁵ These policy changes improved Vietnamese living standards, incubated the growth of a lower middle class and improved national economic power.⁶ Today Vietnam has transitioned from one of the poorest countries in the world to a more viable role on the global stage as seen by its recent Chairmanship of the Association of South East Asian Nations in 2010.⁷ Reviewing the changes associated with moving to a more market-based economy, the impacts of the economy on legitimacy for the VCP, and how Vietnam is progressing towards an industrialized based economy, this section will highlight how Vietnam has transformed and how this leads to land management issues.

The history of Vietnam's political landscape and economic background are important to understand to see how Vietnam's economy has emerged as a growing economy in Asia. Following the defeat of French forces in 1954 by communist forces and signing of the Geneva accord, Vietnam was temporarily divided along the 17th parallel each with its own administrative zones, communist north and a non-communist south. Throughout the decade and a half following the accord, North Vietnam and South Vietnam governments' fought to control the entire country through irregular and regular engagements; concerned the country would fall to communist control, the United States began direct military support to South Vietnam in 1965. Following a protracted and indecisive military intervention, in 1973 the United States withdrew troops and subsequently South Vietnam surrendered to North Vietnam in 1975; on July 2, 1976 was unified as the communist led Socialist Republic of

Vietnam.⁸ Today Vietnam remains a communist country led by a single party system that has experienced only slight restructuring of internal communist party leadership with marginal political reforms.⁹

In addition to political elements, economics are another important historical element regarding Vietnam's current economy and land utilization issues. With reunification, the ruling communist party instituted a series of socialist policies aimed at placing the Vietnam economy under a single state managed system termed collectivist economics. The Party secretary, Le Duan, ran the government managed collectivist system seeking to consolidate all acquired southern Vietnam lands, facilities, and wealth to facilitate redistribution to all citizens.¹⁰ From 1976 until 1986, Vietnam's state controlled economy lacked market economic principles and limited engagement with foreign trading partners relying heavily on support from other communist countries as the former Soviet Union and China.¹¹ Vietnamese economic output fell sharply with substantial decreases in GDP and per capita income under collectivism. The impact of huge economic losses of the early to mid 1980s resulted in many citizens departing southern Vietnam and even Le Duan himself admitting the party grossly misunderstood the challenges of forcing a socialist system on a large scale collection of family small plot farms.¹²

The dire economic situation in Vietnam during this period resulted in 100% increases in inflation, food rationing, and state owned enterprises (SOEs) losing money. As a result of the disastrous conditions and with the death of Party leader Le Duan, Politburo leaders significantly shifted course establishing a change to Vietnam's economic policy known as doi moi in 1986. Characterized as the "adjustment", doi moi instituted a gradual shift to a market-based economic model with the goal to improve economic production to prevent

falling further behind other Asian nations and embarking on integration into the world market economy.^{13 14} By supporting doi moi, the Vietnamese government admitted their inability to properly manage the state run economic policy and ushered in what some call a “socialist-market” system.¹⁵

Doi moi instituted many specific actions: privatization of SOEs, emphasizing economic development and even addressing ethnic minority grievances.¹⁶ In addition to doi moi, Party leaders also passed a subsequent Resolution 146 that permitted agriculture collectives to reallocate land for family use outside of the government required collective system of agriculture quotas; this was the beginning of transitioning from collectivization to decollectivisation.^{17, 18} The shift to decollectivisation further signaled a move away from the policy of collective farming to a private system of production managed mainly by family based villagers.¹⁹ Further reforms of Resolution 10 gave farmers complete control over the production and sale of their crops which lead to agricultural gains as shown by a 51 kilogram per person increase in rice production from 1988-1989.²⁰

While the economic changes resulting from doi moi were difficult, taking over 30 years to achieve, it yielded significant results.²¹ For example, in 1986 Vietnam experienced food rationing and imported rice to avoid widespread starvation; however, by 2006 Vietnam became a major exporter of rice, coffee, and seafood.^{22, 23} Furthermore, in the period from 1990 to 2010, Vietnam’s GDP grew 7.3% annually and per capita income nearly quintupled largely on the strength of oil, rice, garments and footwear. Despite recent slight declines in GDP growth to 5%, Vietnam economy remains one of the fastest growing economies in Asia.^{24, 25} According to Lawrence E. Grinter in his article *Vietnam’s Thrust into Globalization: Doi Moi’s Long Road*, he highlights data from the World Bank suggesting in

2006 as a result of the economic gains from doi moi “A new middle class has emerged in Vietnam’s two largest cities where disposable incomes could be six to ten times the rural average.”²⁶ Arguably the transition to a market-based economy has been a success within Vietnam and Vietnamese citizens have benefited from the policies.

Besides economic changes since the implementation of doi moi, arguably Vietnam experienced modifications in how the VCP maintains legitimacy with the people of Vietnam. In the past due to multiple factors such as their long history of occupations by foreign powers, ruling Vietnamese parties were traditionally concerned with territorial issues as a source of legitimacy and power for the national government.²⁷ This drove an underlying desire to maintain control and sovereignty by more traditional national roles of territorial border protection and land occupation. However, with improvements in economic conditions and the need to convert to a globalized interdependent environment, the traditional idea of sovereignty is being supplanted by economic prosperity as a new means of maintaining national power and sovereignty.^{28, 29}

In addition to doi moi, the loss of support from the failed communist bloc isolated the VCP, politically and economically, which also helped further changes in VCP policies and ideals regarding legitimacy. The fear of falling behind regional partners and the need for improved economic strength drove a requirement for economic external engagement and peaceful coexistence; this resulted in adjustments in security policies for Vietnam government.³⁰ With this shift and greater reliance on economic well being, it can be concluded the regime progressed further towards a form of legitimacy based on what author Stephen White calls “socioeconomic performance.”³¹ This type of legitimacy is contingent on a government providing social and economic benefits to its citizens and is one of most

important aspects from which a single party authoritarian system can gain legitimacy.³² It can be argued this change of mindset and shift to more reliance on the world economic market for basic survival, VCP party leaders were forced from more traditional nationalistic type legitimacy to socioeconomic a “performance- based legitimacy” of which a strong economy is critical.³³ This required the VCP ruling party to further support converting to a market-based model to satisfying the requirement for continued and sustained economic growth.³⁴

With economic well being becoming more important to Vietnam and likely more relevant to the ruling Party, Vietnam needed to transform its economy to remain competitive in the global marketplace. To meet this reality, some argue Vietnam is shifting from the traditionally agriculture based economy to a more industrialized structure better suited to meet the economic requirements of the country and the global market demand for manufactured products.³⁵ According to author Danielle Labbé in a study of land disputes in Hanoi, in order to maintain growth rates and compete in the globalized marketplace the Vietnam economy requires a reallocation from agriculture to “higher order economic activities” to preserve the growth and economic prosperity despite the recent improved economic conditions.³⁶ Recent statistics indicate Vietnam’s economy is already undergoing this transition. The CIA world fact book states the agriculture sector accounted for 21% of the GDP in 2012, down from 25% in 2000 with gains in the industrial sector from 36% to 41% and exports growing 18% with many increases in manufactured goods.³⁷ Furthermore, according to a World Bank overview of Vietnam regarding recent economic progress, “Vietnam has already attained five of its ten original Millennium Development Goal targets and is well on the way to attaining more by 2015” and has a “long term vision of becoming a

modern industrialized society”.³⁸ Clearly Vietnam is moving towards industrialization for economic prosperity and this change will likely have impacts on other facets of Vietnam culture.

Land Management – A Historical Problem

As important as the impact of doi moi had on economic growth, it is also significant to highlight the impacts of these policies on land management in Vietnam, especially the challenges of residential estates, transportation infrastructure, and industrial developments.³⁹ Land, or rather the management and allocation of land, in Vietnam has historically been an issue with Vietnamese citizens with a record of uprisings and conflicts to address grievances. Beginning with monarchical rule in northern Vietnam, the king introduced the principle of land tenure under the concept of communal land. Primarily through imposing taxes on villages, the king received payment on the land; however under village management schemes, peasants were allowed to utilize and allocate the land with latitude. Communal land was not absolute since the king granted certain areas to private individuals and lands designated as communal could be reclaimed by the king who often gave compensation for the land. However, under French colonial rule, land management shifted from communal concept transferring many lands to French or Vietnamese owners. Such changes had a tremendous impact on peasants who depended upon the land for existence and land issues became one of the main grievances of the Vietnamese and their efforts to expel French colonial rule.⁴⁰

The Geneva Conference in 1954 ended French rule and divided Vietnam into north and south; and the separate governing parties instituted significant differences of land

management between the two areas. The government in the north returned to communal ideals of redistributed lands from wealthy landowners to poorer peasants and conversely, allocation of lands in the south favored more wealthy owners and not embracing the concept of communal land management; both changes ultimately resulted in conflicts, deaths, and bad memories that still exist among Vietnam citizens.⁴¹ Following the reunification of Vietnam, the communist government reinforced concepts and policies of communal lands and collectivization placing additional attention on northern Vietnam and exporting the policies to the newly acquired southern areas. In addition to basic changes in land management, the VCP instituted a move from the “family based” production to the concept of state mandated “cooperated farming.”⁴² The implementation of communal lands under collectivism resulted in reduced agriculture output, significant economic downturns, and peasant non-violent resistance in the mid 1980s.⁴³

In response to these anemic economic conditions and general social dissatisfaction, the state responded by transitioning to a system of decollectivisation. It moved from the cooperative model to a family based system of economic agricultural production. Furthermore, to fully realize the benefits of decollectivisation for increased agriculture output, the Party also began transitioning land use rights from the state to citizens through the 1988 Land Law with the most significant land redistribution occurring in 1993.^{44, 45} The 1993 Land Law instituted a 20-year lease system transferred land use rights to citizens allowing the land to be used for personal gain, included sub rights for the exchange and sublet land rights.⁴⁶ Decollectivisation and subsequent land law changes allowed farmers to sell their products on the market for a negotiated price which facilitated great agriculture growth. According to Chad Raymond in *No Responsibility and No Rice, the Rise and Fall of*

Agriculture Collectives in Vietnam, he states “agriculture productivity exploded once farmers were free to engage in private production.”⁴⁷ By 1991, private producers accounted for 97% of agriculture good values making up nearly 40% of Vietnam’s GDP and Vietnam rice exports doubled from 1988 to 1992 with Vietnam becoming the world’s third leading exporter of rice in the late 1990’s.⁴⁸ For rural Vietnamese, land law changes contributed to increased national productivity and economic strength, and arguably a move from subsistence farming to greater personal prosperity.

Highlighted earlier, future Vietnam economic growth depends upon moving to an industrial base; the change to industrialization requires the conversion of agriculture lands to industrial zones for manufacturing and residential areas to billet the requisite necessary workforce. This transition signals an end to the concept of “metropolitan containment” fostering the conversion of land rights from agriculture users to developers; in fact Vietnam officials estimated a growth of the urban environment of up to 45% by the year 2020 due to the transition.⁴⁹ A further example of this urban growth is in the Hanoi 2010 master growth plan where Hanoi officials forecast the increase of urbanized areas to cover 27% of the providence territory and over three quarters of this area based on conversion of agriculture lands bordering the city’s edge. Under current Vietnam land laws the state manages lands on behalf of the people and it is within the State’s authority and responsibility to reallocate lands to other needs such as urban growth.⁵⁰

To redistribute lands within Vietnam the government uses the ministries of Construction and National Resources to form de facto arrangements with local district authorities and developers; these groups designing plans to move lands from local agriculture users to land developers.⁵¹ As part of the land transfer schemes these same local officials

establish compensation for rural land tenants being evicted, either monetary or alternate land plots, at rates typically based on past land productivity over tenure of lease.⁵² Critics of process argue the State's calculated compensation rates fall below fair market value. Additionally, the land transfers appear to increase wealth for a small group of citizens rather than the state philosophy of providing for larger good of society evicted; agrarian tenants are also questioning the necessity of their loss of livelihood. Combine this situation with the recent tendency to exclude pre-existing social structures and local elected officials traditionally involved in land decisions supplanting them with outside administrators unfamiliar with village customs/norms, local citizens are losing their voice in land rights issues and are becoming more frustrated.⁵³

As a result of friction associated with land rights conversion and the actual, or perceived, inequities of adequate compensation, the potential for disputes and conflict has increased and is most apparent at the seam where urban expansion meets rural populations.⁵⁴ Nguyen Suu in "Contending Views and Conflicts over Land in Vietnam's Red River Delta" highlights regarding land rights, "Policies compatible with villagers' perspectives might bring them incentives for better management and use of the land; however, incompatible policy, in many cases, result in public resistance of the villagers."⁵⁵ Resistance has ranged from gossip, delaying paying taxes, to even violent action.⁵⁶ As one can imagine, the importance of land and its impact on livelihood for rural populations are of such magnitude these people might be willing to take extreme measures to protect.

A recent a high-profile example of violent resistance is the case of Doan Van Vuon. Vuon, a 50 year old prior soldier, college educated farmer, obtained a 14-year lease on coastal swampland in High Phong in 1993 and over 18 years spent his life savings converting

the land to a productive fish farm. Upon notice the government was seizing his land without compensation, Vuon attempted to resolve the issue peacefully working within the government process; however, when his efforts failed, he and other family members engaged in armed resistance against local police when they attempted to evict him from the property. Vuon's case is not new as violent resistance occurred in the past; however the amount of the public attention from the popular press coverage and public condemnation of how Vuon's case was handled is new.⁵⁷ Combined with support from prominent Vietnamese citizens such as past President Le Duc Ahn hailing him as a model Vietnam citizen, this incident has now entered the public consciousness thrusting Vuon into hero status for millions of farmers and ignited public debate over "heavy-handed seizers" of lands by government officials. While Vuon and involved family members are serving sentences up to 5 years for their armed resistance, his actions 'shined the public spotlight' on how farmers are being exploited at the expiration of their 20-year leases with compensation far less than fair market value while developers and local government officials profit from the transaction.⁵⁸ As the Vuon case illustrates, land rights issues are causing significant conflict with government officials and the issue is gaining public awareness that will likely impact the VCP.

VCP & Land Rights Challenges

Finding workable solutions to the challenges associated with land management will be a significant undertaking for the VCP as land management is, and has traditionally been, a source of tension with Vietnamese citizens reaching back to French rule of Vietnam.⁵⁹ Combine this fact with the importance of industrial growth to maintain legitimacy for the VCP, tensions resulting from the friction between land for agriculture and land for industry

likely might be even greater in the future. Therefore, since the VCP is likely to concentrate on remaining in power, it will need to address the elements that threaten their survival.

Contended above, without state support from external sources for nationalistic type legitimacy, it is unlikely the VCP can completely return to past policies for maintaining political power and will likely continue to rely on economic performance to maintain legitimacy. With recent political uprisings in other countries resulting in regime collapses, as with the Arab Spring events, some contend the VCP remains mindful of those occurrences and will take issues of social unrest seriously.⁶⁰ While the VCP is unlikely to pacify all social issues within Vietnam, their past actions demonstrate it acknowledges those elements threatening its existence and will respond when necessary; doi moi and revised land laws quelling uprisings in the 1980s are examples of their ability to adjust.⁶¹ Regarding land management, the VCP should retain a focus on the Vietnam rural population and their grievances stemming from poor land laws that facilitate inconstant policy implementation and corruption.

The shift away from agriculture to industry for economic prosperity might indicate declining importance of rural areas; analysis indicates this may be an inaccurate assumption and therefore the Party should address rural issues. Historically agriculture has been a foundation of the Vietnam economy and was a key element of economic prosperity offsetting industrial shortfalls when Vietnam shifted to emerging markets.⁶² In current times, Vietnam agriculture still accounts for 21% of the GDP in 2012, is a top exporter of rice on the world market, and employs 70% of the Vietnamese workforce.^{63 64} Despite the growth of industry, it is unlikely in the near term agriculture will completely be eclipsed by the industrial sector.

In addition to the economic impact of agriculture, historical examples of rural unrest and current rural strength illustrate this population should remain relevant to the VCP. Besides geopolitical changes in the 1980s, support of doi moi and subsequent land reform implementation were also the result of multiple instances of rural unrest in the 1980s.⁶⁵ Additionally in similar occurrences during the 1990s where government land seizures in the northern provinces of Tai Bihn and Thanj Hoa resulted in a six-month period of unrest, the VCP was forced to institute reforms addressing rural conditions and public services to appease farmers' grievances that were kindling rural discontent.⁶⁶ The power of this population is still relevant as the CIA estimates in 2011 only 31% of the population is urban, based on the current rate of urbanization at 3.03% it will take a minimum six years to achieve equilibrium between urban and rural populations assuming rates remain consistent.⁶⁷ The size of this population remains influential; according to the intelligence group Stratfor, the rural population remains the majority in Vietnam and this population is likely still the biggest threat facing the Party.⁶⁸ Arguably VCP acknowledges the importance of the population and their concerns as illustrated by one of the themes of the Party's 11th congress to improve social conditions for the population.⁶⁹ This focus and past behavior indicates the VCP understands the criticality of the population in maintaining social order.

Combined with the importance of the rural population, an additional issue of concern for the VCP is the inconsistent application of national land laws by providential and local government officials often resulting in monetary gain to themselves and developers.⁷⁰ Current national land law specifically dictates agriculture lands are managed by the state by and for the people; arguably the national level should have a "decisive role" in managing such lands at the local level.⁷¹ However, this appears not the case; as highlighted in Hanoi,

just local government officials and developers collaborate when applying land laws.⁷² Such arrangements among the 58 provinces led to inconsistent application of land laws across the country and abuses of the system.⁷³ Since public opinion regarding the importance of land management differs across the country and the different parties involved with transactions often have self-serving agendas, the public has conflicting views of the fairness of moving lands from agriculture to industry.⁷⁴ The incorrect, and often illegal, application of land laws were acknowledged when the Vietnam Prime Minister, Nguyen Tan Dung, publicly admonished the officials involved with the Vuon case concluding they incorrectly evicted Vuon from his property; this was followed by a court issuing suspended sentences for the other government officials involved with the incident.^{75 76}

In addition to poor application of land laws, corruption regarding land management is also a problem for the Vietnam government. Recent studies indicate corruption is occurring at “alarming levels” in Vietnam especially in rural areas in three distinct areas, one of which is land use management.⁷⁷ Typically this corruption involves the questionable transfer of land use rights from the people intended for the collective good of citizens to a smaller group of governmental officials and individuals who benefit from the transaction; this has been the largest contributor of conflicts at the local level.⁷⁸ Continuing the theme, illegal land management was a central issue in 2012 when senior government officials were arrested due to their connections with commercial interests.⁷⁹ Finally, the issue of rampant corruption has been highlighted as so problematic and of such significant it now threatens to undermine regime legitimacy.⁸⁰ As Vietnam continues transitioning to an industrialized market economy, corruption by government officials for personal gain in land management will likely continue unless national level reforms are instituted to change behavior.

Vietnam is not unlike other nations who have faced challenges with land management issues when transitioning to an industrialized economy; the same fundamental issue still exists in United States with the concept of eminent domain.⁸¹ As the Vuon case demonstrates, Vietnam government entities can use their unilateral authority to manage land issues with an authoritarian approach, particularly in rural areas; and by providing compensation or replacement lands to tenants at termination of their leases, arguably government officials are meeting their legal obligations especially within the context of communist ideology and culture norm where land belongs to all the people.⁸² However if the VCP continues such an approach, it could risk alienating the largest sector of the population which helps drive improved economic output. As shown in recent public backlash to the authoritarian handling of land management in the Voun case, this may not be the wisest approach to land issues, especially in a globalized connected environment. Clearly the VCP now depends on economic performance to maintain legitimacy and the tension from the rural population resulting from land management is important, both for the economy and social tranquility. Therefore, it is in the VCP's best self interest to develop and institute publicly supported solutions to resolve land management conflicts.

Conclusion/Recommendations

This paper illustrated the importance of market oriented economic performance to the VCP's continued legitimacy and the need for an industrialized base for continued growth, the cultural land management challenges associated with converting lands to industrial use, and land management issues the VCP should address to mitigate conflicts that challenge political instability. Historically, land management has been on-going social issue with the

Vietnamese public and recent cases indicate this is likely to continue. It is unlikely the VCP can appease all citizens' land management grievances; however, the Party should attempt to address some the larger grievances before they become flashpoints for greater social unrest within Vietnam.

One recommendation to address the situation is for the VCP to standardize national land management and land law implementation to limit the power of province and local government officials of arbitrarily applying land policy for personal financial gain. Instituting effective laws and monitoring application of the laws through proper oversight could begin to address the rampant corruption associated with the current system. If the national government enforced standardized land laws, it is likely the public would gain greater confidence in the government's ability to manage lands for the collective good not just for the benefit of a select few.

Additionally, the VCP should establish a more just procedure for compensating tenants when terminating tenancy focusing on accounting for the loss of livelihood and prosperity associated with land, not just the "value" of the land. Since many tenants improved their standard of living under a market-oriented economy working their lands, it follows these tenants see the value of their land as more than just subsistence and therefore, now expect more when losing the asset. Respecting the values of a market-oriented economy, VCP officials should compensate tenants accordingly. Possible solutions could include a new value table accounting for future monetary gains from the land or possibility allowing tenants to share in a percentage of future profits from the development of the lands.

A final recommendation is for national and local governments to establish long-term land development plans and educate urban and rural land users to shape expectations of land

use. While some Vietnamese might resist long-term plans for converting lands to other uses, the belief and cultural understanding of land belonging to all the people likely would still be supported by citizens. Through education it is reasonable to believe many citizens may be more accepting of land management decisions.

Regardless of the response, the impacts from current land management policies on rural Vietnamese citizens should not be ignored by the VCP. VCP's previous responses placating citizens when social tension escalates demonstrates an ability to act when faced with a crisis, such may be the case now. Regardless of previous land management reforms, the regime should act decisively to address land management issues thereby avoiding future conflict that could threaten social stability and possibly the regime's existence.

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- ²³ Ibid., 156.
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